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SUBJECT: CENTRAL BANK FOR ECONOMIC INTEGRATION PRESIDENT  
SEES DIFFICULT ECONOMIC AND FINANCIAL SITUATION

REF: TEGUCIGALPA 1114

Classified By: AMBASSADOR HUGO LLORENS FOR REASONS 1.4 (B & D).

¶1. (C) Summary: The president of the Central American Bank for Economic Integration (CABEI) Nick Rischbieth met with the Ambassador on February 2 to discuss the effects of the global financial crisis on Central America and on CABEI's operations. After a year of record disbursements, CABEI's access to capital is drying up; he is reluctant to broadcast it so as not to create alarm. In an effort to tap into elusive lines of credit, he is leading a delegation of regional Finance Ministers to Taiwan the week of February 9. Rischbieth (please protect) noted that political developments in Nicaragua, the elections scenario in El Salvador, and uncertainty in Honduras and Guatemala was making his job of coordinating common approaches to dealing with the international financial crisis more difficult. End Summary.

¶2. (C) CABEI President Nick Rischbieth was recently elevated to the position after the tragic death of former bank president Harry Brautigam in the 2008 plane crash of Taca ¶390. In his courtesy call with the Ambassador, Rischbieth expressed concern over CABEI's access to credit. He focused on reassuring the Ambassador that CABEI has strong mid and long-term prospects but is vulnerable because it does not have immediate access to capital for its member countries. He blamed "financial protectionism," specifically the out-sized credit demands of larger economies for "crowding out small sub-regional banks like CABEI." Rischbieth characterized CABEI's need for USD 2 billion in capital as "peanuts" compared to the USD 3 trillion credit required by G-7 countries.

¶3. (C) In order to gain access to capital, Rischbieth is encouraging CABEI member countries to knock on new doors. On the week of February 9, he will lead a delegation of Finance Ministers from five Central American countries to Taipei, where they will request access to the USD 500 billion in reserves held by Taiwan, which has observer status in CABEI. In April, the bank's charter will be amended to include Brazil, Korea, and possibly Italy as new shareholders. Attempts to access credit through European banks and through the U.S. Federal Reserve have fallen through. Rischbieth expressed his interest in seeking a USG solution to CABEI's liquidity problem, suggesting that the Fed give Central America a credit line via CABEI as it did in Mexico and Korea; he planned to visit Washington this week to petition Treasury for a loan.

¶4. (C) Perhaps as troubling to Rischbieth as the inability to access credit is the worsening political situation in

Central America. He complained about the radical leftward lurch in Nicaragua, the election panorama in El Salvador and growing uncertainty in Honduras and Guatemala. On the economic front, Rischbieth complained about erratic policy-making in the region and expressed fears of "creeping socialism." He noted that the combination of the international financial crisis and bad policy "may set back the region another decade as was the case in the 80s." The Ambassador noted that he was encouraging the Honduran government to seek to negotiate a follow-on Stand-By Agreement with the IMF as the best way to secure strong development bank support for Honduras, as well as transmit a strong message to the international and domestic investment and financial communities of Honduras, commitment to macroeconomic stability. The Ambassador mentioned that the GOH's populist rhetoric had painted the government into a corner, particularly with the official vow not to devalue the lempira. However, the Ambassador did mention as positive that President Zelaya was seeking meetings with the IMF and IDB in planned trips to Washington in the near-future.

¶15. (C) Comment: CABEI plays an important role in the financial stability of Central America. The USG should consider responding affirmatively to CABEI's requests for access to emergency lines of credit. In the case of Central America, the creation of a small credit mechanism for CABEI will go a long way to support the economic viability of these small neighboring nations. In sum, finding a creative mechanism by which CABEI could access U.S. capital may save these economies from plunging into steep recessions later in the year, which will adversely affect U.S. interest in a stable Central America.

LLORENS